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DEPARTMENT FOR AF/W (JHUNTER/ESPRUILL)

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TAGS: PGOV PREL EAID SOCI MASS SL

SUBJECT: AMBASSADOR GAINS SUPPORT OF MINISTER OF FINANCE TO FIGHT UNFAIR TAXATION

Classified By: Ambassador June Carter Perry for reasons 1.4(b/d)

¶1. (C) Summary: Ambassador Perry's meetings with Finance Minister David Carew on September 15 and October 27 to discuss tax relief for diplomatic missions met with success when the Minister agreed to lift the "road usage" tax, with a potential savings for the Embassy of more than 130,000 dollars per year. Minister Carew also discussed meetings in Washington, potential development projects funded by the Soros Foundation, the World Bank, and other agencies, and his hope to eventually qualify for the MCC. End Summary.

¶2. (C) Ambassador Perry met with Minister of Finance David Carew September 15 to discuss tax relief from various revenue-generating schemes the National Revenue Authority (NRA) has in place to collect revenue from the diplomatic community. Of particular concern were "processing fees" of 500,000 Leones (about \$166) required each time a purchase or import qualified for "duty free" status, as well as the road usage tax of 0.44 cents per gallon. Embassy Freetown is entirely reliant on generators, and in FY 2008 spent \$1.6 million on fuel alone. Only one major supplier (Total) imposed the fee, but two others (a Nigerian company and the Sierra Leone parastatal) were unreliable. Minister Carew agreed that these fees violated the spirit of the Vienna Convention, and following his meeting with Ambassador Perry lifted the road usage charge for embassies, and provided duty free blanket waivers for purchases. At the October 27 meeting, Ambassador thanked the Minister for his prompt action on these issues.

¶3. (C) Minister Carew lamented the Government of Sierra Leone's (GoSL) declining revenue during the October 27 meeting. Budget pressure due to rising energy costs, overexpenditure in certain budget-lines, and the failure of companies within the mining sector to pay agreed-to taxes is building. The World Bank provided \$3 million to cover lost revenue, and prevent a decrease in needed food and fuel subsidies. Carew described further Bank initiatives, including the extension of emergency fuel funds for the National Power Authority (NPA) through the completion of the Bumbuna Dam project in March, 2009, a \$4 million food-for-work program, and potential support for three executive-level positions in the NPA. The GoSL also requested Bank support for technical assistance to the NRA. The Bank provided \$7 million in direct budget support, as did the EU. DFID recently provided an undisclosed amount as well.

¶4. (U) The Minister also discussed other new funding initiatives. While in Washington, he met with a number of organizations on the cusp of providing assistance and programming in Sierra Leone. The Soros Foundation plans to provide support to key strategic program areas: law, justice, and human rights; economic governance; political governance; and HIV/AIDS. They are currently selecting a Program Manager to establish and run their Freetown-based programs, and will initially fund activities related to agriculture and education. The Sithe Group is closer to starting their palm

oil enterprise initiative. A meeting with Ambassador Cohen from OPIC indicated the possibility of funding for a 100 megawatt facility. Minister Carew continues to search for ways to fund improvements to the Lungi airport, which he believes will attract further investment.

¶ 15. (U) The impact of the global economic crisis on African countries was a major topic of conversation for the Minister and others in Washington. Finance Ministers from African Union countries are planning a meeting in Tunis to discuss this topic in the coming months. He noted that the recent rise in food prices isn't helping African farmers, since subsidies in western countries are eroding their potential gains.

¶ 16. (U) The Ambassador described her own recent trip to Washington, including her meeting with MCC representatives. In that meeting, she mentioned Sierra Leone's progress in certain areas. Minister Carew expressed his hope that Sierra Leone would qualify for MCC support in the future. She also highlighted support that will be provided by new embassy personnel, such as USAID's new food-for-peace officer, as well as agricultural technical staff expected this year. She informed the Minister that she continues to lobby for further funding for education (one of the "low" criterion areas for the GoSL), as well as for Sierra Leone's membership into the ACOTA program.

PERRY